FAR Part 30
Ground Rules

1. Purpose is to facilitate the public comment process by providing the public with insight into the content and rationale of the proposed rule.

2. Meeting is not being held to achieve consensus, to debate the content of the rule, or to write the rule.

FAR Part 30

- 30.001, Definitions
- 30.201-3, Solicitation Provisions
- 30.202-6, Disclosure Statements: Responsibilities
- 30.202-7, Disclosure Statements: Determinations
- 30.202-8, Subcontract Disclosure Statements
- 30.601, CAS Administration: Responsibilities
- 30.602, Materiality
- 30.603, Changes to Disclosed or Established Cost Acct. Practices
- 30.604, Processing Changes
- 30.605, Processing Noncompliances
- 30.606, Resolving Cost Impacts
- 30.607, Subcontract Administration
- 52.230-6, Administration of CAS
- 52.230-7, Proposal Disclosure – Changes

30.001, Definitions

- Affected CAS-Covered Contract
- Cognizant Federal Agency Official
- Desirable Change
- Fixed-Price Contracts and Subcontracts
- Flexibly-Priced Contracts and Subcontracts
- Noncompliance
- Required Change
- Unilateral Change

30.201-3(c), Solicitation Provisions

- Requires inclusion of 52.230-7 in solicitations for contracts subject to CAS.

FAR 52.230-7
Proposal Disclosure

- Offeror must indicate whether the contract award will result in a required or unilateral change in cost accounting practice, including unilateral changes requested to be desirable, and if it will:

(1) Submit a description of the change in cost accounting practice to the contracting officer and the CFAO as pricing support for the proposal; and

(2) Prepare the price proposal using the changed practice for the period of performance for which the practice will be used.

30.202-6(b), Disclosure Statement Responsibilities

- Impracticality of DS submission:
  - Agency head (not Contracting Officer or CFAO) has authority to authorize contract award without DS
  - Nondelegable
  - Per CAS 9903.202-2

30.202-7, Disclosure Statements Adequacy Determinations

- If DS is adequate:
  - CFAO notifies contractor and auditor, and PCO (if proposal triggered DS submission).
  - Notification states that disclosed practices are adequately described.
  - The notice is not a determination that all cost accounting practices were disclosed.
  - Contractor shall not consider a disclosed practice to be an approved practice.

30.202-7, Disclosure Statements Adequacy Determinations

- If DS is not adequate:
  - Notify the contractor of the inadequacies; and
  - Request a revised Disclosure Statement.

30.202-7, Disclosure Statements Compliance

- After notification of adequacy, auditor conducts compliance review and advises CFAO of results.

- Action regarding a report of alleged noncompliance are processed in accordance with 30.605(b).

30.202-8, Subcontractor Disclosure Statements

- Proposed changes failed to make Federal Register Notice due to editorial error.

- ACO should be CFAO, for consistency with revised FAR 30.

30.601, CAS Administration Responsibilities

- CFAO performs CAS administration for all contracts (and subcontracts) in a business unit.
- CFAO makes all CAS-related required determinations and findings for all CAS-covered contracts and subcontracts.
- For subcontract awards, the contractor awarding the subcontract follows procedures at 52.230-6(l).

30.602, Materiality

- In determining materiality, CFAO uses criteria in 48 CFR 9903.305.
- A determination of materiality may be made before or after a general dollar magnitude proposal has been submitted.
- A determination of materiality must be based on adequate documentation.

30.602, Materiality

- **When the amount involved is immaterial:**
  - **There are no contract adjustments;**
  - **Cost impact process is concluded.**

- **For noncompliance issues, contractor is informed that:**
  - **The noncompliance should be corrected; and**
  - **If the noncompliance is not corrected, the Government reserves the right to make appropriate contract adjustments should the cost impact become material in the future.**

30.603, Changes to Disclosed or Established Cost Acct Practices

- **There should be no words between “30.603, Changes to disclosed or established cost accounting practices” and “30.603-1, Required changes”.**

- **This is an editorial error.**

30.603, Changes to Disclosed or Established Cost Acct Practices

-1: Required Changes

-2: Unilateral and Desirable Changes

30.603-1(a), Required Changes

- Offerors must state whether or not the award of a contemplated contract would require a change to an established cost accounting practice affecting existing contracts and subcontracts.

30.603-1(b), Required Changes

- Prior to making an equitable adjustment CFAO must determine that:

  (1) The cost accounting practice change is required to comply with a CAS, or a modification or interpretation thereof, that subsequently became applicable to one or more contracts or subcontracts; or

  (2) The former cost accounting practice was in compliance with applicable CAS and the change is necessary to remain in compliance.

30.603-1(c), Required Changes

- **When the award of a contract would require a change to an established cost accounting practice the offeror must**:

  (i) Prepare the contract pricing proposal using the changed cost accounting practice for the period of performance for which the practice will be used; and

  (ii) Submit a description of the changed cost accounting practice to the contracting officer and the CFAO as pricing support for the proposal.

30.603-1(c), Required Changes

- When a change is required to remain in compliance (for reasons other than a contract award) or to comply with a new or modified standard, the contractor must:

  (i) Submit a description of the change to the CFAO; and

  (ii) Submit rationale to support any contractor assertion that the cost impact of the change is immaterial.

30.603-1(d), Required Changes

- Required changes made to comply with new or modified standards may require equitable adjustments, but only to those contracts awarded before the effective date of the new or modified standard.
- Early implementation of a required change is administered as a unilateral change.

30.603-2(a), Unilateral Changes

- **The contractor may unilaterally change its disclosed or established cost accounting practices.**

- **The Government shall not pay any increased cost, in the aggregate, as a result of the unilateral change._**

30.603-2(a), Unilateral Changes

- **Prior to making any contract price or cost adjustments the CFAO shall determine that —**

(i) The contemplated contract price or cost adjustments will protect the Government from the payment of estimated increased costs, in the aggregate; and

(ii) The net effect of the contemplated adjustments will not result in the recovery of more than the increased costs paid by the Government, in the aggregate.

30.603-2(b), Desirable Changes

- **Until the CFAO has determined a change to a cost accounting practice is a desirable change, the change is a unilateral change.**

30.603-2(b), Desirable Changes

Some factors to consider in determining if a change is desirable include, but are not limited to, whether—

(i) The contractor must change the cost accounting practice to remain in compliance with FAR Part 31;

(ii) The contractor is initiating management actions directly associated with the change that will result in cost savings for segments with CAS-covered contracts and subcontracts over a period for which forward pricing rates are developed or five years, whichever is shorter, and the cost savings are reflected in the forward pricing rates; and

(iii) Funds are available if the determination would necessitate an upward adjustment of contract cost or price.

30.603-2(c) Notice and Proposal Preparation

- **When a contractor makes a unilateral change, the contractor must:**

(i) Submit a description of the change to the CFAO not less than 60 days (or other mutually agreeable date) before implementation of the change; and

(ii) Submit rationale to support any contractor assertion that the cost impact of the change is immaterial.

- **If a contractor implements the change in cost accounting practice without submitting the notice, the CFAO may determine the change a failure to follow a cost accounting practice consistently and process it as a noncompliance.**

30.603-2(d) Retroactive Changes

- If a contractor requests that a unilateral change be retroactive, the contractor shall submit supporting rationale._
- The CFAO shall promptly evaluate the contractor’s request and notify the contractor in writing whether the request is or is not approved.
- The CFAO shall not approve a date for the retroactive change that is before the beginning of the contractor's fiscal year in which the request is made.

30.603-2(e)
Contractor Accounting Changes Due to External Restructuring Activities

- For compliant cost accounting practice changes that are directly associated with external restructuring activities that are subject to and meet the requirements of 10 U.S.C. 2325:

  (i) The requirements for contract price and cost adjustments do not apply; and

  (ii) The disclosure requirements must be followed.

30.604, Processing Changes

- Scope
- Procedures
- Desirable Changes
- GDM Proposal
- DCI Proposal
- Calculating Cost Impacts
- Remedies

30.604(a), Processing Changes Scope

- Applies to:
  - Required changes
  - Unilateral changes
  - Desirable changes

30.604(b), Processing Changes Procedures

- The CFAO, with the assistance of the auditor, reviews the proposed change concurrently for adequacy and compliance.

30.604(b), Processing Changes Procedures

- **If the description is both adequate and compliant—**

(i) For required or unilateral changes (except those requested to be determined desirable changes), request a GDM proposal

(ii) For unilateral changes that the contractor requests to be determined desirable, the contractor must:

  - **For any request based on the criteria in paragraph 30.603-2(b)(3)(ii), submit the data necessary to demonstrate the required cost savings;**
  - **For any other request, submit a GDM proposal and any other data necessary for the CFAO to determine if the change is desirable.**

30.604(b), Processing Changes Procedures

- If the description is inadequate, request a revised description of the new cost accounting practice.
- If the disclosed practice is noncompliant, notify the contractor in writing that, if implemented, the CFAO will determine the cost accounting practice to be noncompliant and process it accordingly.

30.604(c), Evaluating Requests For Desirable Changes

- CFAO promptly evaluates the request and notifies the contractor in writing whether the change is a desirable change or the request is denied.
- If the CFAO determines the change is a desirable change, the CFAO negotiates any cost or price adjustments that may be needed to resolve the cost impact.
- If the request is denied, the change is a unilateral change and is processed accordingly.

30.604(d), GDM Proposal

- Provides information to the CFAO on the estimated overall impact of a change in cost accounting practice on affected CAS-covered contracts and subcontracts.
- Assists the CFAO in determining whether individual contract price or cost adjustments are required.

30.604(e), GDM Proposal Content

- The GDM Proposal must calculate the cost impact in accordance with 30.604(h).

30.604(e), GDM Proposal Content

GDM Proposal uses one or more of these methods:

(1) A representative sample of affected CAS-covered contracts and subcontracts;

(2) The change in indirect rates multiplied by the total estimated base computed for each of the following groups:

(A) Fixed-price contracts and subcontracts.

(B) Flexibly priced contracts and subcontracts.

(3) Any other method that provides a reasonable approximation of the total increase or decrease in cost accumulations for all affected fixed-price and flexibly priced contracts and subcontracts.

30.604(e), GDM Proposal Content

- May be in any format acceptable to the CFAO but must include the following data:

(i) The total increase or decrease in cost accumulations by executive agency, including any impact on incentives, fees, and profits, for each of the following groups:

(A) Fixed-price contracts and subcontracts.

(B) Flexibly priced contracts and subcontracts.

(ii) For unilateral changes, the increased or decreased costs paid by the Government for each of the following groups:

(A) Fixed-price contracts and subcontracts.

(B) Flexibly priced contracts and subcontracts.

30.604(e), GDM Proposal Content

- When requested by the CFAO, the GDM must identify all affected CAS-covered contracts and subcontracts.

30.604(f), GDM Proposal Evaluation

- The CFAO, with the assistance of the auditor, shall promptly evaluate the GDM proposal.
- If the cost impact is immaterial, CFAO notifies contractor in writing and concludes the cost impact process with no contract adjustments.
- Otherwise, the CFAO—

(1) Negotiates and resolves the cost impact; or

(2) If the GDM as submitted is not sufficient to negotiate and resolve the cost impact:

  - Requests a revised GDM proposal; or
  - Requests a DCI proposal.

30.604(g), DCI Proposal

- Calculates cost impact in accordance with 30.604(h).
- Shows estimated increase/decrease in cost accumulations for each affected CAS-covered contract and subcontract unless CFAO and contractor agree to:

  (i) Include only affected CAS-covered contracts and subcontracts exceeding a specified amount; and

  (ii) Estimate the total increase/decrease in cost accumulations for all affected CAS-covered contracts and subcontracts using results in (i).

30.604(g), DCI Proposal

- May be in any format acceptable to the CFAO but, as a minimum, must include the requirements at 30.604(e)(3).

- When requested by the CFAO, identify all affected contracts and subcontracts.

30.604(h)
Calculating Cost Impacts

- Include all affected CAS-covered contracts and subcontracts regardless of their status (i.e., open or closed) or the fiscal years in which the costs were incurred (i.e., whether or not the final indirect cost rates have been established).
- Combine the cost impact for all affected CAS-covered contracts and subcontracts for all segments if the effect of a change results in costs flowing between those segments.

30.604(h)
Calculating Cost Impacts

- Compute the increase or decrease in cost accumulations for affected CAS-covered contracts and subcontracts based on the difference between—

(i) The estimated cost to complete using the current practice (ETC current practice); and

(ii) The estimated cost to complete using the changed practice (ETC changed practice).

30.604(h)(4)
Calculating Cost Impacts

- Cost impact for fixed price contracts for unilateral changes:

- Increased costs =
  ETC current practice > ETC changed practice

- Decreased costs =
  ETC current practice < ETC changed practice

30.604(h)(4)
Calculating Cost Impacts

- Cost impact for flexibly priced contracts for unilateral changes:

- Decreased costs =
  ETC current practice > ETC changed practice

- Increased costs =
  ETC current practice < ETC changed practice

30.604(h)(4) Calculating Cost Impacts

- Incentives, Fees, and Profits:
  - Calculate the total increase or decrease in accordance with CFR 9903.306(c).
  - Based on the difference between the negotiated incentives, fees, and profits and the amounts that would have been negotiated had the cost impact been known at the time the contracts and subcontracts were negotiated.

30.604(h)(4)
Calculating Cost Impacts

- Compute increased/decreased costs in the aggregate by adding:

(1) Increased or decreased costs for fixed-price contracts and subcontracts;

(2) Increased or decreased costs for flexibly-priced contracts and subcontracts; and

(3) Increase or decrease in contract and subcontract incentives, fees, and profits.

30.604(h)(5) Calculating Cost Impacts

- Equitable adjustments for required changes:
  - The estimated increase or decrease in cost accumulations are the basis for increasing contract prices, including target prices and cost ceilings.

30.604(i), Remedies

Remedies. If the contractor does not submit the required accounting change description, or GDM or DCI proposal, the CFAO—

(1) Estimates the cost impact; and

(2) Takes one or both of the following actions:

- Withholds an amount not to exceed 10 percent of each subsequent payment related to the contractor's CAS-covered contracts up to the estimated general dollar magnitude of the cost impact;
- Issues a final decision in accordance with FAR 33.211 and unilaterally adjusts the contract(s) by the estimated amount of the cost impact.

30.605
Processing Noncompliances

- General
- Notice and Determinations
- Correcting Noncompliances
- GDM Proposal
- DCI Proposal
- Interest
- Calculating Cost Impacts
- Remedies

30.605(a)
Processing Noncompliances

Prior to making any contract price or cost adjustments, the CFAO shall determine that—

(1) The contract price or cost adjustments will protect the Government from the payment of increased costs, in the aggregate and will not result in the recovery of more than the increased costs to the Government, in the aggregate.

(2) The net effect of any invoice adjustments made to correct an estimating noncompliance or any interim and final voucher billing adjustments made to correct a cost accumulation noncompliance will not result in the recovery of more than the increased cost pay by the Government, in the aggregate.

30.605(b)
Notice and Determination

- After receiving a CAS noncompliance report, CFAO must either

(1) Notify the auditor that the CFAO disagrees with the noncompliance; or

(2) Issue a notice of potential noncompliance to the contractor.

30.605(b)
Notice and Determination

- The notice of potential noncompliance to the contractor must:

(1) Notify the contractor in writing of the exact nature of the noncompliance.

(2) Allow the contractor 60 days (or other mutually agreeable date) within which to:

  - Agree or submit reasons why the contractor considers the existing practices to be in compliance; and
  - Submit rationale to support any assertion that the cost impact of the noncompliance is immaterial.

30.605(b)
Notice and Determination

- After receiving the contractor’s response to the notice of noncompliance, CFAO must:
  - If applicable, review the reasons why the contractor considers the existing practices to be in compliance or the cost impact to be immaterial;
  - Make a determination of compliance or noncompliance.
  - If the CFAO determines that the contractor's practices are in noncompliance, a written explanation shall be provided as to why the CFAO disagrees with the contractor's rationale.
-

30.605(b)
Notice and Determination

- If the CFAO makes a determination of noncompliance but determines that the cost impact is immaterial, the CFAO:

- Informs the contractor in writing that:
  - The noncompliance should be corrected; and
  - If the noncompliance is not corrected, the Government reserves the right to make appropriate contract adjustments should the noncompliance become material in the future; and

- Concludes the cost impact process with no contract adjustments.

30.605(b)
Notice and Determination

- If the CFAO makes a determination of noncompliance and does not determine that the cost impact is immaterial, the CFAO follows the procedures at 30.605(c) through (h).

30.605(c)
Correcting Noncompliances

- The contractor is required to submit a description of any cost accounting practice change needed to correct a noncompliance within 60 days after the earlier of—

  (i) Agreement with the CFAO that there is a noncompliance; or

  (ii) Notification by the CFAO of a determination of noncompliance.

30.605(c)
Correcting Noncompliances

- When the contractor submits a description of a cost accounting practice change needed to correct a noncompliance, the CFAO, with the assistance of the auditor, reviews the proposed change concurrently for adequacy and compliance.

30.605(c)
Correcting Noncompliances

- When the description of the change is both adequate and compliant, the CFAO:

(1) Notifies the contractor in writing.

(2) Requests that the contractor submit a GDM proposal, unless the CFAO determines the cost impact is immaterial.

(3) If the CFAO determines the cost impact is immaterial, the CFAO follows the procedures at paragraph 30.605(b)(4).

30.605(c)
Correcting Noncompliances

- When the description of the change is not adequate, the CFAO requests a revised description of the new cost accounting practice.

- If the disclosed practice is noncompliant, the CFAO notifies the contractor in writing that, if implemented, the CFAO will determine the cost accounting practice to be noncompliant and process it accordingly.

30.605(d)
GDM Proposal Content

- Calculates the cost impact in accordance with 30.605(h).

30.605(d)
GDM Proposal Content

- Uses one or more of the following methods to determine the increase or decrease in cost accumulations:

(i) A representative sample of affected CAS-covered contracts and subcontracts.

(ii) When the noncompliance involves cost accumulation:

(A) For purposes of computing increased costs in the aggregate, the change in indirect rates multiplied by the applicable base for flexibly-priced contracts and subcontracts.

(B) For purposes of determining interest, the change in indirect rates multiplied by the applicable base for flexibly priced and fixed-price contracts and subcontracts.

(iii) Any other method that provides a reasonable approximation of the total increase or decrease in contract and subcontract prices and cost accumulations.

30.605(d)
GDM Proposal Content

- Format acceptable to the CFAO but must include:

(1) Total increase or decrease in prices and cost accumulations, by executive agency, including any impact on incentives, fees, and profits, for:

(A) Fixed-price contracts and subcontracts;

(B) Flexibly priced contracts and subcontracts.

(2) Increased or decreased costs to the Govt. for:

(A) Fixed-price contracts and subcontracts;

(B) Flexibly priced contracts and subcontracts.

(3) Total overpayments and underpayments made by the Govt. during the period of noncompliance.

(4) When requested by the CFAO, identify all affected CAS-covered contracts and subcontracts.

30.605(e)
GDM Proposal Evaluation

- The CFAO promptly evaluates the GDM proposal.
- If the cost impact is immaterial, CFAO follows procedures at 30.605(b)(4).
- Otherwise, the CFAO—

(1) Negotiates and resolves the cost impact; or

(2) If the GDM as submitted is not sufficient to negotiate and resolve the cost impact:

  - Requests a revised GDM proposal; or
  - Requests a DCI proposal.

30.605(f)
DCI Proposal

- Calculates cost impact in accordance with 30.605(h).
- Shows estimated increase/decrease in cost accumulations for each affected CAS-covered contract and subcontract unless CFAO and contractor agree to:

  (i) Include only affected CAS-covered contracts and subcontracts exceeding a specified amount; and

  (ii) Estimate the total increase/decrease in cost accumulations for all affected CAS-covered contracts and subcontracts using results in (i).

30.605(f)
DCI Proposal

- May be in any format acceptable to the CFAO but, as a minimum, must include the requirements at 30.605(f)(2)(i).

- When requested by the CFAO, identify all affected contracts and subcontracts.

30.605(g), Interest

- The CFAO must separately identify interest.
- Simple interest from date of overpayment to the time the adjustment is effected in accordance with 26 U.S.C. 6621(a)(2).
- If quarterly amounts billed during the period of noncompliance were approximately the same, use the average interest rate and midpoint for of the period as the baseline for the interest computation.
- If quarterly amounts billed during the period of noncompliance were not approximately the same, use an alternate method.

30.605(h)
Calculating Cost Impacts

- Include all affected CAS-covered contracts and subcontracts regardless of their status (i.e., open or closed) or the fiscal years in which the costs were incurred (i.e., whether or not the final indirect cost rates have been established).
- Combine the cost impact for all affected CAS-covered contracts and subcontracts for all segments if the effect of a change results in costs flowing between those segments.

30.605(h), Noncompliances Cost Estimating

- Compute the increase or decrease for affected CAS-covered contracts and subcontracts based on the difference between—

(i) The negotiated contract or subcontract price (negotiated price); and

(ii) What the negotiated price would have been had the contractor used a compliant practice (compliant price).

30.605(h), Noncompliances Cost Estimating

- Increased and decreased costs to the Government includes only fixed-price contracts and is computed as follows:

- Increased costs =
  Negotiated price > Compliant price

- Decreased costs =
  Negotiated price < Compliant price

30.605(h), Noncompliances Cost Accumulating

- Compute the increase or decrease for affected CAS-covered contracts and subcontracts based on the difference between—

(i) Costs that were accumulated under the noncompliant practice (Noncompliant); and

(ii) The costs that would have been accumulated using a compliant practice (Compliant).

30.605(h), Noncompliances Cost Accumulating

- Increased and decreased costs to the Government include only flexibly priced contracts and is computed as follows:

- Increased costs =
  Noncompliant > Compliant

- Decreased costs =
  Noncompliant < Compliant

30.605(h), Noncompliances

- Incentives, Fees, and Profits:
  - Calculate the total increase or decrease in accordance with CFR 9903.306(c).
  - Based on the difference between the negotiated incentives, fees, and profits and the amounts that would have been negotiated had the contractor used a compliant practice.

30.605(h), Noncompliances Cost Estimating

- Compute increased/decreased costs in the aggregate by adding:

(1) Increased or decreased costs for fixed-price contracts and subcontracts;

(2) Increase or decrease in contract and subcontract incentives, fees, and profits.

30.605(h), Noncompliances Cost Accumulating

- Compute increased/decreased costs in the aggregate by adding:

(1) Increased or decreased costs for flexibly priced contracts and subcontracts;

(2) Increase or decrease in contract and subcontract incentives, fees, and profits.

30.605(i), Remedies

- Remedies. If the contractor does not correct the noncompliance or submit the proposal submit the required accounting change description, or GDM or DCI proposal, the CFAO—

(1) Estimates the cost impact; and

(2) Takes one or both of the following actions:

  - Withholds an amount not to exceed 10 percent of each subsequent payment related to the contractor's CAS-covered contracts up to the estimated general dollar magnitude of the cost impact;
  - Issues a final decision in accordance with 33.211 and unilaterally adjust the contract(s) by the estimated amount of the cost impact.

30.606, Resolving Cost Impacts

- The CFAO shall coordinate with the affected contracting officers before negotiating and resolving the cost impact when the estimated cost impact on any of their contracts is at least $100,000.
- The CFAO has the sole authority for negotiating and resolving the cost impact.

30.606, Resolving Cost Impacts

- The CFAO may resolve a cost impact attributed to a change in cost accounting practice or a noncompliance by adjusting a single contract, several but not all contracts, all contracts, or any other suitable method.

30.606, Resolving Cost Impacts

- May combine the cost impacts of:
  - Several changes within a segment, intermediate office, or home office only if the changes are implemented in the same fiscal year.
  - Two or more segments.

30.606, Resolving Cost Impacts

- Shall not combine the cost impact:
  - Of a change with the cost impact of a noncompliant practice.
  - Of one noncompliant practice with the cost impact of another noncompliant practice.
  - Attributable to different categories of compliant changes.

30.606, Resolving Cost Impacts

- **For desirable changes, the CFAO should consider the impact of associated management actions on contract costs in resolving the cost impact.**

30.606, Resolving Cost Impacts

- Negotiations. The CFAO:

(1) Negotiates and resolves the cost impact on behalf of all Government agencies; and

(2) At the conclusion of negotiations, prepares a negotiation memorandum and send copies to the auditor and affected contracting officers.

30.606, Resolving Cost Impacts

- Contract adjustments.

(1) The CFAO may adjust some or all contracts with a material cost impact, subject to the provisions at 30.606(c)(2) through (c)(6).

(2) To the maximum extent practical and subject to the provisions in 30.606(c)(3) through (c)(6), the adjustments should reflect a pro rata share of the cost impact based on the ratio of the cost impact of each executive agency to the total cost impact.

30.606, Resolving Cost Impacts

- For unilateral changes and noncompliances:

(i) To the maximum extent practical, do not adjust the price upward for fixed-price contracts.

(ii) Preclude payment of aggregate increased costs by doing one or both of the following:

(A) Reduce the contract price on fixed-price contracts.

(B) Disallow costs on flexibly-priced contracts.

30.606, Resolving Cost Impacts

- **For noncompliances that involve estimating:**

(i) To the extent practical, do not adjust the price upward for fixed-price contracts.

(ii) Preclude payment of aggregate increased costs by reducing the contract price on fixed-price contracts.

(iii) Correct the noncompliance.

(iv) Adjust any invoices that were paid based on noncompliant contract prices to reflect the adjusted contract prices, after any contract price adjustments are made to resolve the noncompliance.

30.606, Resolving Cost Impacts

- For noncompliances that involve cost accumulating :

(1) Correct noncompliant contract cost accumulations in the cost accounting records to reflect compliant contract cost accumulations and adjust interim payment requests; or

(2) Adjust contract prices. In adjusting contract prices:

(A) Preclude payment of aggregate increased costs by disallowing costs on flexibly priced contracts;

(B) Correct contract cost accumulations to reflect the contract price adjustments; and

(C) Adjust interim payment requests to reflect the contract price adjustments.

30.606, Resolving Cost Impacts

- When contract adjustments are made:

(i) When the CFAO and contractor agree on the amount of the cost impact and the adjustments, the CFAO executes the bilateral modifications.

(ii) When the CFAO and contractor do not agree on the amount of the cost impact or the adjustments, the CFAO issues a final decision in accordance with FAR 33.211 and unilaterally adjusts the contract(s).

30.606, Resolving Cost Impacts Alternative Methods

- The CFAO may use an alternate method instead of adjusting contracts provided:
  - The Government will not pay more, in the aggregate, than would be paid if the CFAO did not use the alternate method; and
  - The contracting parties agree on the use of that alternate method;
- Alternate method is not used if result would be:
  - An underrecovery of monies by the Government; or
  - Distortions of incentive provisions and relationships between target costs, ceiling costs, and actual costs for incentive type contracts.

30.606, Resolving Cost Impacts Use of An Alternative Method

- When using an alternate method that excludes the costs from an indirect cost pool, the CFAO must—

(i) Apply such exclusion only to the determination of final indirect cost rates; and

(ii) Adjust the exclusion to reflect the Government participation rate for flexibly priced contracts and subcontracts.

  - If there are aggregate increased costs to the Government of $100,000, and the indirect cost pool has a Government participation rate of 50 percent for flexibly priced contracts and subcontracts, the contractor shall exclude $200,000 from the indirect cost pool ($100,000/50% = $200,000).

30.607, Subcontract Administration

- When a negotiated CAS price adjustment or a determination of noncompliance is required at the subcontract level, the CFAO cognizant of the subcontractor:
  - Makes the determination.
  - Informs the CFAO cognizant of the prime contractor or the next higher tier subcontractor of the decision.
- The CFAO of the prime contractor or the next higher-tier subcontractor cannot change the determination.
- If the subcontractor refuses to submit a GDM or DCI proposal, remedies are made at the prime contractor level.

52.230-6, Administration of Cost Accounting Standards

- Definitions
- Proposal Submission
- Changes (GDM Proposal, DCI Proposal, Calculating Cost Impacts)
- Noncompliances (GDM Proposal, DCI Proposal, Calculating Cost Impacts)
- Failure to Submit
- Contract Adjustments
- Subcontracts

52.230-6(a), Definitions

- Affected CAS-Covered Contract
- Cognizant Federal Agency Official
- Desirable Change
- Fixed-Price Contracts and Subcontracts
- Flexibly Priced Contracts and Subcontracts
- Noncompliance
- Required Change
- Unilateral Change

52.230-6(b), Proposal Submission

- When the change is dependent on a contract award and that contract is subsequently awarded, notify the CFAO within 15 days after such award.
- For any other required or unilateral changes, submit a description of the change not less than 60 days before implementation.
- For noncompliances, submit a description of the change necessary to correct the noncompliance:
  - Within 60 days of the date of agreement if the contractor agrees with the noncompliance; or
  - Within 60 days of the determination of noncompliance, if the contractor disagrees with the noncompliance.

52.230-6(c), Proposal Submission

- When requested by the CFAO, submit a GDM proposal in accordance with paragraph (d) or (g) of the clause.
- When requested by the CFAO, submit a DCI proposal in accordance with paragraph (e) or (h) of the clause.
- For any request for a desirable change that is based on the criteria in FAR 30.603-2(b)(3)(ii), submit the data necessary to demonstrate the required cost savings.
- For any request for a desirable change that is based on criteria other than that in FAR 30.603-2(b)(3)(ii), submit a GDM proposal and any other data necessary for the CFAO to determine if the change is a desirable change.

52.230-6(d), GDM Proposal Changes

- The GDM Proposal must calculate the cost impact in accordance with paragraph (f) of the clause.

52.230-6(d), GDM Proposal Changes

- Use one or more of these methods:

(1) A representative sample of affected CAS-covered contracts and subcontracts;

(2) The change in indirect rates multiplied by the total estimated base computed for each of the following groups:

(A) Fixed-price contracts and subcontracts.

(B) Flexibly priced contracts and subcontracts.

(3) Any other method that provides a reasonable approximation of the total increase or decrease in cost accumulations for all affected fixed-price and flexibly priced contracts and subcontracts.

52.230-6(d), GDM Proposal Changes

- May be in any format acceptable to the CFAO but must include the following data:

(i) The total increase or decrease in cost accumulations by executive agency, including any impact on incentives, fees, and profits, for each of the following groups:

(A) Fixed-price contracts and subcontracts.

(B) Flexibly priced contracts and subcontracts.

(ii) For unilateral changes, the increased or decreased costs paid by the Government for each of the following groups:

(A) Fixed-price contracts and subcontracts.

(B) Flexibly priced contracts and subcontracts.

52.230-6(d), GDM Proposal Changes

- When requested by the CFAO, the GDM must identify all affected CAS-covered contracts and subcontracts.

52.230-6(e), DCI Proposal Changes

- Calculate cost impact in accordance with paragraph (f) of the clause.
- Show estimated increase/decrease in cost accumulations for each affected CAS-covered contract and subcontract unless CFAO and contractor agree to:
  - (i) Include only affected CAS-covered contracts and subcontracts exceeding a specified amount; and
  - (ii) Estimate the total increase/decrease in cost accumulations for all affected CAS-covered contracts and subcontracts using results in (i).

52.230-6(e), DCI Proposal Changes

- May be in any format acceptable to the CFAO but, as a minimum, must include the requirements at paragraph (d)(3) of the clause.

- When requested by the CFAO, identify all affected contracts and subcontracts.

52.230-6(f) Calculating Cost Impact - Changes

- Include all affected CAS-covered contracts and subcontracts regardless of their status (i.e., open or closed) or the fiscal years in which the costs were incurred (i.e., whether or not the final indirect cost rates have been established).

52.230-6(f) Calculating Cost Impact - Changes

- Compute the increase or decrease in cost accumulations for affected CAS-covered contracts and subcontracts based on the difference between—

(i) The estimated cost to complete using the current practice (ETC Current); and

(ii) The estimated cost to complete using the changed practice (ETC Changed).

52.230-6(f) Calculating Cost Impact - Changes

- Cost impact for fixed price contracts for unilateral changes:

- Increased costs =

  ETC current practice > ETC changed practice

- Decreased costs =

  ETC current practice < ETC changed practice

52.230-6(f) Calculating Cost Impact - Changes

- **Incentives, Fees, and Profits:**
  - **Calculate the total increase or decrease in accordance with CFR 9903.306(c).**
  - **Based on the difference between the negotiated incentives, fees, and profits and the amounts that would have been negotiated had the cost impact been known at the time the contracts and subcontracts were negotiated.**

52.230-6(f) Calculating Cost Impact - Changes

- Compute increased/decreased costs in the aggregate by adding:

(1) Increased or decreased costs for fixed-price contracts and subcontracts;

(2) Increased or decreased costs for flexibly priced contracts and subcontracts; and

(3) Increase or decrease in contract and subcontract incentives, fees, and profits.

52.230-6(f) Calculating Cost Impact - Changes

- Equitable adjustments for required changes:
  - The estimated increase or decrease in cost accumulations are the basis for increasing contract prices, including target prices and cost ceilings.

52.230-6(g), GDM Proposal Noncompliances

- Calculate the cost impact in accordance with paragraph (i) of the clause.

52.230-6(g), GDM Proposal Noncompliances

- Use one or more of the following methods to determine the increase or decrease in cost accumulations:

(i) A representative sample of affected CAS-covered contracts and subcontracts.

(ii) When the noncompliance involves cost accumulation:

(A) For purposes of computing increased costs in the aggregate, the change in indirect rates multiplied by the applicable base for flexibly-priced contracts and subcontracts.

(B) For purposes of determining interest, the change in indirect rates multiplied by the applicable base for flexibly priced and fixed-price contracts and subcontracts.

(iii) Any other method that provides a reasonable approximation of the total increase or decrease in contract and subcontract prices and cost accumulations.

52.230-6(g), GDM Proposal Noncompliances

- Format acceptable to the CFAO but must include:

(1) Total increase or decrease in prices and cost accumulations, by executive agency, including any impact on incentives, fees, and profits, for:

(A) Fixed-price contracts and subcontracts;

(B) Flexibly priced contracts and subcontracts.

(2) Increased or decreased costs to the Govt. for:

(A) Fixed-price contracts and subcontracts;

(B) Flexibly priced contracts and subcontracts.

(3) Total overpayments and underpayments made by the Govt. during the period of noncompliance.

(4) When requested by the CFAO, all affected CAS-covered contracts and subcontracts.

52.230-6(h), DCI Proposal Noncompliances

- Calculate cost impact in accordance with paragraph (i) of the clause.
- Show estimated increase/decrease in cost accumulations for each affected CAS-covered contract and subcontract unless CFAO and contractor agree to:
  - (i) Include only affected CAS-covered contracts and subcontracts exceeding a specified amount; and
  - (ii) Estimate the total increase/decrease in cost accumulations for all affected CAS-covered contracts and subcontracts using results in (i).

52.230-6(h), DCI Proposal Noncompliances

- May be in any format acceptable to the CFAO but, as a minimum, must include the requirements at 30.605(f)(2)(i).

- When requested by the CFAO, identify all affected contracts and subcontracts.

52.230-6(i)
Calculating Cost Impact
-Noncompliances

- Include all affected CAS-covered contracts and subcontracts regardless of their status (i.e., open or closed) or the fiscal years in which the costs were incurred (i.e., whether or not the final indirect cost rates have been established).

52.230-6(i), Calculating Cost Impact Noncompliances - Cost Estimating

- Compute the increase or decrease for affected CAS-covered contracts and subcontracts based on the difference between—

(i) The negotiated contract or subcontract price (negotiated price); and

(ii) What the negotiated price would have been had the contractor used a compliant practice (compliant price).

52.230-6(i), Calculating Cost Impact Noncompliances - Cost Estimating

- Increased and decreased costs to the Government includes only fixed-price contracts and is computed as follows:

- Increased costs =

  Negotiated price > Compliant price

- Decreased costs =

  Negotiated price < Compliant price

52.230-6(i), Calculating Cost Impact Noncompliances - Cost Accumulating

- Compute the increase or decrease for affected CAS-covered contracts and subcontracts based on the difference between—

(i) Costs that were accumulated under the noncompliant practice (Noncompliant); and

(ii) The costs that would have been accumulated using a compliant practice (Compliant).

52.230-6(i), Calculating Cost Impact Noncompliances - Cost Accumulating

- Increased and decreased costs to the Government include only flexibly priced contracts and is computed as follows:

- Increased costs =

  Noncompliant > Compliant

- Decreased costs =

  Noncompliant < Compliant

52.230-6(i), Calculating Cost Impact Noncompliances

- Incentives, Fees, and Profits:
  - Calculate the total increase or decrease in accordance with CFR 9903.306(c).
  - Based on the difference between the negotiated incentives, fees, and profits and the amounts that would have been negotiated had the contractor used a compliant practice.

52.230-6(i), Calculating Cost Impact Noncompliances - Cost Estimating

- Compute increased/decreased costs in the aggregate by adding:

(1) Increased or decreased costs for fixed-price contracts and subcontracts;

(2) Increase or decrease in contract and subcontract incentives, fees, and profits.

52.230-6(i), Calculating Cost Impact Noncompliances - Cost Accumulating

- Compute increased/decreased costs in the aggregate by adding:

(1) Increased or decreased costs for flexibly priced contracts and subcontracts;

(2) Increase or decrease in contract and subcontract incentives, fees, and profits.

52.230-6(j), Failure to Submit

- If the contractor does not submit the required proposal or correct the noncompliance the CFAO —

(1) Estimates the cost impact; and

(2) Takes one or both of the following actions:

  - Withholds an amount not to exceed 10 percent of each subsequent payment related to the contractor's CAS-covered contracts up to the estimated general dollar magnitude of the cost impact;
  - Issues a final decision in accordance with 33.211 and unilaterally adjust the contract(s) by the estimated amount of the cost impact.

52.230-6(k), Contract Adjustments

- Agree to make appropriate contract and subcontract modifications to reflect required adjustments; and

- Repay the Government for any aggregate increased cost paid to the contractor.

52.230-6(l), Subcontracts

- For all subcontracts subject to the clauses at FAR 52.230-2, 52.230-3, or 52.230-5—

(1) Include the substance of this clause in all negotiated subcontracts;

(2) Within 30 days after award of the subcontract, submit the following information to the CFAO:

(i) Subcontractor's name and subcontract number.

(ii) Dollar amount and date of award.

(iii) Name of Contractor making the award.

52.230-6(m), Subcontracts

- The prime contractor or higher-tier contractor must notify the CFAO in writing of any adjustments required to subcontracts under this contract and agree to an adjustment to this contract price or estimated cost and fee.

- For subcontracts containing FAR 52.230-2, 52.230-3, or 52.230-5, require the subcontractor to comply with all standards in effect on the date of award or of final agreement on price, as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data, whichever is earlier.